

City of Grandfield, Oklahoma

Independent Auditor's Report and Financial Statements

**For the Fiscal Year Ended
June 30, 2013**

City of Grandfield, Oklahoma

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Violet F. Kirkendall CPA, PC

Certified Public Accountants

405 W. Claremore St.

Claremore, OK 74017

(918) 342-5474

Independent Auditor's Report

Board of Trustees
City of Grandfield

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Grandfield, Oklahoma as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the City of Grandfield, Oklahoma's basic financial statements as listed in the table of contents.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

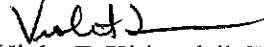
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depends on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The town financial statements do not present fairly the financial position or the results of operations or cash flows in conformity with generally accepted accounting principles. The results of the effects for the financial statements not being fairly presented could not reasonably be determined.

In my opinion, because of the effects of the matters discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Grandfield, Oklahoma as of June 30, 2013 or the results of its operations or its cash flows for the year then ended.

In accordance with Government Auditing Standards, I have also issued my report dated October 25, 2013 on my consideration of the City of Grandfield, Oklahoma internal control over financial reporting and my tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting or on compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Grandfield, Oklahoma's internal control over financial reporting and compliance.


Violet F. Kirkendall CPA, PC
Certified Public Accountant

October 25, 2013

Violet F. Kirkendall CPA, PC

Certified Public Accountants

405 W. Claremore St.

Claremore, OK 74017

(918) 342-5474

*Report on Internal Control Over Financial Reporting and on Compliance Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards*

Board of Trustees
City of Grandfield

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Grandfield, Oklahoma as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise which comprise City of Grandfield, Oklahoma basic financial statements, and have issued my report thereon dated October 25, 2013.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Grandfield, Oklahoma internal control over financial reporting in order to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but, not for the purpose of expressing an opinion on the effectiveness of the City of Grandfield, Oklahoma internal control.

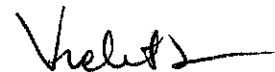
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies in the internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings that I consider to be significant deficiencies as Findings 2013-1 and 2013-2

Compliance

As part of obtaining reasonable assurance about whether the City of Grandfield, Oklahoma financial statements are free of material misstatement, I performed tests of the compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* – which are described in the accompanying schedule of audit findings as items 2013-3.

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Violet F. Kirkendall CPA, PC
Certified Public Accountant

October 25, 2013

City of Grandfield, Oklahoma

Statement of Net Assets

June 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 178,100.08	\$ 182,315.87	\$ 360,415.95
Accounts receivable		37,913.02	37,913.02
Investments	<u>45,000.00</u>	<u>11,290.00</u>	<u>56,290.00</u>
Total Current Assets	<u>223,100.08</u>	<u>231,518.89</u>	<u>454,618.97</u>
Non-current Assets:			
Cash, restricted		15,714.99	15,714.99
Investments, restricted		31,000.00	31,000.00
Capital Assets:			
Property, plant and equipment, net of accumulated depreciation		<u>57,382.08</u>	<u>57,382.08</u>
Total Non-current Assets	<u>0.00</u>	<u>104,097.07</u>	<u>104,097.07</u>
Total Assets	<u>223,100.08</u>	<u>335,615.96</u>	<u>558,716.04</u>
LIABILITIES			
Current Liabilities:			
Current portion of LT Debt	<u>0.00</u>	<u>19,505.63</u>	<u>19,505.63</u>
Non-current Liabilities:			
Payable from Restricted Assets:			
Meter deposits payable		47,387.17	47,387.17
Notes payable		<u>36,282.58</u>	<u>68,927.62</u>
Total Non-current Liabilities	<u>0.00</u>	<u>83,669.75</u>	<u>83,669.75</u>
Total Liabilities	<u>0.00</u>	<u>103,175.38</u>	<u>103,175.38</u>
NET ASSETS			
Invested in capital assets, net of related debt	0.00	1,593.87	1,593.87
Restricted	93,294.47	(672.18)	92,622.29
Unrestricted	<u>129,805.61</u>	<u>231,518.89</u>	<u>361,324.50</u>
Total Net Assets	<u>\$ 223,100.08</u>	<u>\$ 232,440.58</u>	<u>\$ 455,540.66</u>

The accompanying notes are an integral part of the combined financial statements.

City of Grandfield, Oklahoma
Statement of Activities
For The Year Ended June 30, 2013

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General Government	\$ 269,272.17	\$	\$	\$	\$ (269,272.17)
Public Safety	85,656.25	490.00	2,891.33		(82,274.92)
Transportation	28,687.29				(28,687.29)
Cemetery and Parks	24,544.40	225.00	870.00		(23,449.40)
Utilities and Sanitation	57,208.44				(57,208.44)
Other Functions	<u>200,250.16</u>	<u>481,984.44</u>	<u>72,996.76</u>		<u>354,731.04</u>
Total Governmental Activities	<u>665,618.71</u>	<u>482,699.44</u>	<u>76,758.09</u>	<u>0.00</u>	<u>(106,161.18)</u>
Business Type Activities:					
Public Works Authority	576,252.52	454,094.42			(122,158.10)
Economic Development Authority	<u>16,320.48</u>	<u>6,408.89</u>			<u>(9,911.59)</u>
Total Business Type Activities	<u>592,573.00</u>	<u>460,503.31</u>	<u>0.00</u>	<u>0.00</u>	<u>(132,069.69)</u>
Total	<u>\$1,258,191.71</u>	<u>\$ 943,202.75</u>	<u>\$ 76,758.09</u>	<u>\$ 0.00</u>	<u>\$ (238,230.87)</u>

Primary Government		
Governmental Activities	Business-Type Activities	Totals
Changes in Net Assets:		
Net (expense) revenue	\$ (106,161.18)	\$ (132,069.69) \$ (238,230.87)

General revenues:

Taxes:

Sales Tax	103,648.94	103,648.94
Use Tax	5,817.03	5,817.03
Alcoholic Beverage Tax	14,326.21	14,326.21
Franchise Tax	24,610.78	24,610.78
Cigarette Tax	1,361.56	1,361.56
Restricted for transportation purposes:		
Motor Vehicle Tax	7,407.86	7,407.86
Interest income	2,719.48	2,719.48
Sale/rent of property	1,196.52	1,196.52
Reimbursements	0.00	0.00
Total General Revenues and Transfers	<u>163,428.55</u>	<u>0.00</u> <u>163,428.55</u>
Change in Net Assets	57,267.37	(132,069.69) (74,802.32)
Prior Period Adjustment	13,497.61	13,497.61
Net Assets-beginning	152,335.10	364,510.27 516,845.37
Net Assets-ending	<u>\$ 223,100.08</u>	<u>\$ 232,440.58</u> <u>\$ 455,540.66</u>

The accompanying notes are an integral part of the combined financial statements.

City of Grandfield, Oklahoma
Balance Sheet – Governmental Funds
June 30, 2013

	General Fund	Capital Improvement Plan Fund	Other Governmental Funds	Totals
ASSETS				
Cash	\$ 129,805.61	\$	\$ 48,294.47	\$ 178,100.08
Investments			45,000.00	45,000.00
Total Assets	<u>\$ 129,805.61</u>	<u>\$ 0.00</u>	<u>\$ 48,294.47</u>	<u>\$ 223,100.08</u>
LIABILITIES & FUND EQUITY				
Fund Equity:				
Restricted for specific purposes	\$	\$	\$ 48,294.47	\$ 48,294.47
Unreserved	<u>129,805.61</u>	<u>0.00</u>	<u>0.00</u>	<u>129,805.61</u>
Total Fund Equity	<u>129,805.61</u>	<u>0.00</u>	<u>48,294.47</u>	<u>223,100.08</u>
Total Liabilities & Fund Equity	<u>\$ 129,805.61</u>	<u>\$ 0.00</u>	<u>\$ 48,294.47</u>	<u>\$ 223,100.08</u>

The accompanying notes are an integral part of the combined financial statements.

City of Grandfield, Oklahoma
Reconciliation of Governmental Funds Balance Sheet
June 30, 2013

Total Fund Balances – Governmental Funds **\$ 223,100.08**

Amounts reported for governmental activities in the statement of net assets are different
Because:

Capital assets used in governmental activities are not financial resources and
Therefore are not reported in the funds. These assets consist of:

Net Capital Assets	0.00
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Net Assets of Governmental Activities **\$ 223,100.08**

The accompanying notes are an integral part of the combined financial statements.

City of Grandfield, Oklahoma
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	General Fund	Capital Improvement Plan Fund	Other Governmental Funds	Totals
REVENUES				
<u>Taxes:</u>				
Sales Tax	\$ 103,648.94	\$	\$	\$ 103,648.94
Use Tax	5,817.03			5,817.03
Alcoholic Beverage	14,326.21			14,326.21
Cigarette Tax	1,361.56			1,361.56
Motor Vehicle Tax	7,407.86			7,407.86
Franchise Tax	24,610.78			24,610.78
Gas Excise Tax	2,719.48			2,719.48
Other Tax	2,891.33			2,891.33
<u>Other:</u>				
Charges for services	17,309.97		86,911.80	104,221.77
Sale of property	501.54			501.54
Donations			56,075.95	56,095.65
Interest Income	528.86		667.66	1,196.52
Rental Income	2,288.62		1,260.00	3,548.62
Miscellaneous	371,026.07			371,026.07
Police Fines			2,105.60	2,105.60
Grant revenues			20,115.81	20,115.81
Licenses/Permits	1,201.00		110.00	1,311.00
Total Revenues	<u>555,639.26</u>	<u>0.00</u>	<u>167,246.82</u>	<u>722,886.08</u>
EXPENDITURES				
General Government	269,272.17			269,272.17
Public Safety	93,178.87			93,178.87
Transportation	28,687.29			28,687.29
Cemetery & Parks	24,544.40			24,544.40
Utilities and Sanitation	57,208.44			57,208.44
Other functions	31,122.09		161,605.45	192,727.54
Total Expenditures	<u>504,013.26</u>	<u>0.00</u>	<u>161,605.45</u>	<u>665,618.71</u>
Net Change in Fund Balance	51,626.00	0.00	5,641.37	52,267.37
Prior Period Adjustment	0.00	0.00	13,497.61	13,497.61
Fund Balance-Beginning	78,179.61	0.00	74,155.49	152,335.10
Fund Balance-Ending	<u>\$ 129,805.61</u>	<u>\$ 0.00</u>	<u>\$ 93,294.47</u>	<u>\$ 223,100.08</u>

The accompanying notes are an integral part of the combined financial statements.

City of Grandfield, Oklahoma
Reconciliation of Change in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2013

Net Change in Fund Balances – Total Governmental Funds	\$ 52,267.37
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlay expenditures	
Depreciation expenses	<u>0.00</u>

Change in Net Assets of Governmental Activities	<u>\$ 52,267.37</u>
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The accompanying notes are an integral part of the combined financial statements.

City of Grandfield, Oklahoma
Statement of Net Assets
Proprietary Funds-Enterprise Funds
June 30, 2013

	Public Works Authority	Economic Develop Authority	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 166,806.69	\$ 15,509.18	\$ 182,315.87
Investments	11,290.00		11,290.00
Accounts and notes receivable	<u>11,491.93</u>	<u>26,421.09</u>	<u>37,913.02</u>
Total Current Assets	<u>189,588.62</u>	<u>41,930.27</u>	<u>231,518.89</u>
Noncurrent Assets:			
Cash, restricted	15,714.99		15,714.99
Investments, restricted	31,000.00		31,000.00
Capital Assets:			
Property, plant and equipment, net of depreciation	<u>57,382.08</u>		<u>57,382.08</u>
Total Non-current Assets	<u>104,097.07</u>	<u>0.00</u>	<u>104,097.07</u>
Total Assets	<u>293,685.69</u>	<u>41,930.27</u>	<u>335,615.96</u>
LIABILITIES			
Current Liabilities:			
Current Portion of Long-term Liabilities	<u>19,505.63</u>		<u>19,505.63</u>
Non-current Liabilities:			
Payable from Restricted Assets:			
Meter Deposits Payable	47,387.17		47,387.17
Note payable	<u>36,282.58</u>		<u>36,282.58</u>
Total Non-current Liabilities	<u>83,669.75</u>	<u>0.00</u>	<u>83,669.75</u>
Total Liabilities	<u>103,175.38</u>	<u>0.00</u>	<u>103,175.38</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,593.87		1,593.87
Restricted	(672.18)		(672.18)
Unrestricted	<u>189,588.62</u>	<u>41,930.27</u>	<u>231,518.89</u>
Total Net Assets	<u>\$ 190,510.31</u>	<u>\$ 41,930.27</u>	<u>\$ 232,440.58</u>

The accompanying notes are an integral part of the combined financial statements.

City of Grandfield, Oklahoma
Statement of Revenues, Expenses and
Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2013

	<u>Public Works Authority</u>	<u>Economic Develop Authority</u>	<u>Totals</u>
<u>Operating Revenues:</u>			
Charges for services	\$ 422,722.67	\$	\$ 422,722.67
Miscellaneous		5,325.00	5,325.00
Rental income	30,374.46	1,050.00	31,424.46
Total Operating Revenues	<u>453,097.13</u>	<u>6,375.00</u>	<u>459,472.13</u>
<u>Operating Expenses:</u>			
Water	435,332.10		435,332.10
Sewer	7,882.97		7,882.97
Sanitation	59,402.66		59,402.66
Airport	26,145.84		26,145.84
Administrative/general	29,080.83	16,320.48	45,401.31
Depreciation	15,131.81		15,131.81
Total Operating Expenses	<u>572,976.21</u>	<u>16,320.48</u>	<u>589,296.69</u>
Operating Income (Loss)	<u>(119,879.08)</u>	<u>(9,945.48)</u>	<u>(129,824.56)</u>
<u>Non-Operating Revenues (Expenses):</u>			
Interest Income	997.29	33.89	1,031.18
Interest expenses	(3,276.31)		(3,798.67)
Total Non-Operating Revenues (Expenses)	<u>(2,279.02)</u>	<u>33.89</u>	<u>(2,245.13)</u>
Change in Net Assets	(122,158.10)	(9,911.59)	(132,069.69)
Prior Period Adjustment			
Total Net Assets-Beginning	312,668.41	51,841.86	364,510.27
Total Net Assets-Ending	<u>\$ 190,510.31</u>	<u>\$ 41,930.27</u>	<u>\$ 232,440.58</u>

The accompanying notes are an integral part of the combined financial statements.

City of Grandfield, Oklahoma
Statement of Cash Flows
Proprietary Fund Types
For the Year Ended June 30, 2013

	<u>Public Works Authority</u>	<u>Economic Develop Authority</u>	<u>Totals</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Cash Inflows:			
Cash received from customers	\$ 419,478.22	\$	\$ 419,478.22
Cash received from rental	30,374.46	6,375.00	36,749.46
Cash Outflows:			
Cash paid for operating expenses	(404,265.65)	(16,320.48)	(420,586.13)
Cash paid to employees and benefits	(153,578.75)		(153,578.75)
Net Cash Provided (Used) by Operating Activities	<u>(107,991.72)</u>	<u>(9,945.48)</u>	<u>(117,937.20)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>			
Loans repaid		200.00	200.00
Increase in meter deposits payable	2,910.00		2,910.00
Net Cash Provided (Used) by NonCapital Financing Activities	<u>2,910.00</u>	<u>200.00</u>	<u>3,110.00</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
Principal payments on Capital Debt	(21,843.68)		(21,843.68)
Interest paid on Capital Debt	(3,276.31)		(3,276.31)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(25,119.99)</u>	<u>0.00</u>	<u>(25,119.99)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Interest income	717.04	33.89	750.93
Net Cash Inflow (Outflow) from All Activities	(129,484.67)	(9,911.59)	(139,396.26)
Cash and cash equivalents, beginning of year	354,296.35	25,420.77	379,717.12
Cash and cash equivalents, end of year	<u>\$ 224,811.68</u>	<u>\$ 15,509.18</u>	<u>\$ 240,320.86</u>
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</u>			
Operating income (Loss)	\$ (119,879.08)	\$ (9,945.48)	\$ (129,824.56)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	15,131.81		15,131.81
(Increase) Decrease in:			
Accounts receivable and notes receivable	(3,244.45)		(3,244.45)
Net Cash Provided (Used) by Operating Activities	<u>\$ (107,991.72)</u>	<u>\$ (9,945.48)</u>	<u>\$ (117,937.20)</u>

The accompanying notes are an integral part of the combined financial statements.

NOTES TO THE FINANCIAL STATEMENTS

City of Grandfield, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following notes to the financial statements are an integral part of the City's financial statements.

As discussed further in Note 1, these financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America. These financial statements do not include the management discussion and analysis, which should be included in order to conform with accounting principles generally accepted in the United States of America. As discussed further in Note 1, these financial statements do not include the capital assets for the governmental funds, which should be included in order to conform with accounting principles generally accepted in the United States of America.

Reporting Entity

The City's financial reporting entity is comprised of the following:

Primary Government:	City of Grandfield, Oklahoma
Blended Component Unit:	Public Works Authority
	Economic Development Authority

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" and includes all component units of which the City appointed a voting majority of the units' board and the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. The component unit's fund is blended into those of the City's by appropriate activity type to comprise the primary government presentation.

Blended Component Units

Component units that are blended into the reporting activity types of the City's reports are presented below:

Component Unit	Brief Description/Inclusive Criteria	Reporting
Public Works Authority	Created to finance, develop and operate the utility services activities. The current City Council serves as the governing body (Trustees). Any issuance of debt would Require a two-thirds approval of the City Council.	Enterprise Fund

City of Grandfield, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the City). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-accounting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Fund Financial Statements: Fund financial statements of the reporting entity are organized into funds each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues and expenditure/expenses. Fund are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- A. Total assets, liabilities, revenues or expenditure/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- B. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

GOVERNMENTAL FUNDS

General Fund. This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Funds. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for certain purposes.

City of Grandfield, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Basis of Presentation (continued)

PROPRIETARY FUND

Enterprise Fund. Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise fund:

Public Works Authority

Accounts for activities of the public trust in providing utility services to the public.

MAJOR AND NON-MAJOR FUNDS

Major:

General fund

Proprietary Fund

Accounts for activities of the public trust in providing water and sewer services to the public.

Non-Major:

Special Revenues Funds:

Cemetery Fund

Bail Bond Fund

Library Fund

FEMA Fund

Ambulance Surcharge

Police Department Dare Fund

Fire Department Donations

Drug Dog Donations

POW WOW Donations

REAP Grant Fund

WFACF FD Fund

Fire Dept Ops Fund

NSPRA Fund

City of Grandfield, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Measurement Focus, Basis of Accounting

Measurement focus is a term used to describe "when" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

MEASUREMENT FOCUS

The government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

BASIS OF ACCOUNTING

In the government-wide Statement of Net Assets and Statement of Activities, the governmental activities are presented using the modified accrual basis of accounting and business-like activities are presented using the accrual basis of accounting. Under the modified accrual basis of accounting the funds recognize assets, liabilities, net assets/fund equity, revenues and expenditures/expenses when they are cash transactions. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expense, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of account, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Cash and Investments

For the purpose of Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts and certificates of deposit of the City. For the purposes of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

City of Grandfield, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Business-type activities report water and sewer charges as its major receivable.

Proprietary fund material receivables consist of all revenues earned at year end and not yet received. Utility accounts receivable comprise the majority of proprietary fund receivables.

Fixed Assets

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, fixed assets are not accounted for as capital assets. All fixed assets for governmental funds are expensed when acquired. Generally accepted accounting principles requires capital assets to be capitalized and depreciated over its useful life. However, the City has not maintained a record of capital assets acquired in previous years and therefore capital assets are not presented in the financial statement for governmental fund types.

All fixed assets for proprietary fund types are capitalized and acquired at historical cost. Depreciation of all exhaustible fixed assets in the proprietary funds is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of asset is as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Furniture & Equipment	5-10
Water & Sewer System	20

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in government-wide statements.

Use of Estimates

The preparation of financial statements in conformity with the other comprehensive basis of accounting used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates

City of Grandfield, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. Restricted assets include funds on deposit representing utility customer meter deposits which are refundable to the customer and funds on deposit required to be reserved by terms of promissory notes.

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of note payable and capitalized lease obligations.

Long term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as revenue and payments of principal and interest are reported as expenditures. The accounting for long-term debt of the proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences (when material) is recorded as long-term debt in the government-wide financial statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

Equity Classifications

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets – consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, the unreserved further split between designated. Proprietary fund equity is classified the same as in the government-wide statements.

City of Grandfield, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenues, Expenditures and Expenses

SALES TAX

The City presently levies a sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Oklahoma Tax Commission. The Tax Commission receives the sales tax approximately on month after collection by vendors. The sales tax is recorded entirely in the General Fund. Sales taxes collected by the State in June and July (which represent sales for May and June) are received by the City in July and August have been accrued and are included under the caption "Due from other governments".

USE TAX

The City levies a use-tax on personal property purchased outside the City limits but stored, used or consumed within the City. The use tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission, which is one month after the tax is received by the vendors. The use taxes are allocated entirely to the General Fund. Use taxes collected by the State in June and July and received by the City in July and August are included under the caption "Due from other governments".

OPERATING REVENUES AND EXPENSES

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expense not related to capital and related financing, noncapital financing or investing activities.

EXPENDITURES/EXPENSES

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character: Current (further classified by function), Debt Service,
Capital Outlay

Proprietary Funds – By Operating and Non-Operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

INTERFUND TRANSFERS

Permanent re-allocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

City of Grandfield, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2013

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the City and its component units are subject to various federal, state and local laws and contractual regulations.

Fund Accounting Requirements

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include the following:

<u>Fund</u>	<u>Required By</u>
Public Works Authority	Trust Indenture
Economic Development Authority	Trust Indenture

CASH AND INVESTMENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's cash deposits, including interest-bearing certificates of deposits, are maintained in financial institutions. The District does not have a deposit policy for custodial credit risk. As of June 30, 2013, none of the City's investments were exposed to custodial credit risk.

Deposits and Investment Laws and Regulations

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee. As reflected in Note III A., all deposits were fully insured or collateralized.

Investments of the City (excluding Public Trusts) whose population exceeds 3,000 according to the latest census information are limited by state law to the following:

- 1- Direct obligations of the U.S. Government, its agencies or instrumentalities to the payment of which the full faith and credit of the Government of the United States is pledged, or obligations to the payment of which the full faith and credit of this state is pledged;
- 2- Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions;
- 3- With certain limitation, negotiable certificates of deposit, prime bankers acceptance, prime commercial paper and repurchase agreements with certain limitations;
- 4- County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district;
- 5- Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligation of national mortgage associations;
- 6- Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c., and d.

City of Grandfield, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2013

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deposits and Investment Laws and Regulations (cont.d)

Public trusts created under O.S. Title 60 are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2013, the City and its public trusts complied, in all material respects, with these investment restrictions.

State statutes govern the City's investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Investments are stated at cost. The City invests entirely in certificates of deposit.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's cash deposits, including interest-bearing certificates of deposits, are maintained in financial institutions. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2013, none of the City's investments were exposed to custodial credit risk because there were uninsured or uncollateralized.

Component Unit Deposits

The bank deposits of \$291,894 of the discretely presented component unit were fully insured with FDIC Insurance and securities held in the Authority's name.

Revenue Restrictions

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Gasoline Excise Tax	Street and Alley Purposes
Commercial Vehicle Tax	Street and Alley Purposes
Utility Revenue	Debt Service and Utility Operations

For the year ended June 30, 2013 the City complied, in all material respects, with those revenue restrictions.

Capital Assets

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Furniture & Equipment	\$ 834,254.15	\$ 0.00	\$ 0.00	\$ 834,854.15
Less accumulated depreciation	762,340.26	15,131.81	0.00	777,472.07
Business-type activity capital assets, net	\$ 72,513.89			\$ 57,382.08

City of Grandfield, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2013

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Debt Restrictions and Covenants

GENERAL OBLIGATION DEBT

Article 10, Sections 26 and 27 of the Oklahoma Constitution limits the amount of outstanding general obligation bonded debt of the municipality for non-utility or non-street purposes to no more than 10% of net assessed valuation. For the year ended June 30, 2013, the City had no outstanding general obligation debt.

OTHER LONG-TERM DEBT

Except as noted in the following paragraph, as required by the Oklahoma State Constitution, the City (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval. For the year ended June 30, 2013, the City incurred no such indebtedness.

Fund Equity Restrictions

DEFICIT PROHIBITION

Title 11, Section 17-211 of Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. The City complied with this statute in all material respects for the year ended June 30, 2013.

NOTE 3: DETAILED NOTES ON TRANSACTIONS CLASSES/ACCOUNTS

Restricted Assets

The amounts reported as restricted assets are comprised of cash held in trust on behalf of the Grandfield Public Works Authority related to amounts held in trust for customer utility meter deposits.

The restricted assets as of June 30, 2013 are \$42,507 in meter deposits.

Accounts Receivable

Accounts receivable of the governmental activities consists of franchise tax, occupation tax, sales tax, motor vehicle collections and gasoline tax, and alcoholic beverage tax. Accounts receivable of the business-type activities consists of utilities receivable.

Accounts receivable as of June 30, 2013 is as follows:

Governmental Activities	Business-Type Activities	Total
\$ 0.00	\$ 11,491.93	\$ 11,491.93

Notes Receivable

Notes receivable of the proprietary activities consists of LEAP loans made to local businesses. The amount reported as of June 30, 2013 was \$184,752 – with an estimated uncollectible amount of \$158,331.

City of Grandfield, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2013

NOTE 3: DETAILED NOTES ON TRANSACTIONS CLASSES/ACCOUNTS

Long Term Debt

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Governmental Type Activities

As of June 30, 2013, the governmental funds had no Long Term Debt.

Business-Type Activities

As of June 30, 2013, the long term debt payable from proprietary fund resources consisted of the following:

Note to First State Bank – the note is for a period of 48 months bearing interest at 4% per annum with monthly payments of \$362.05 for interest and principal. The note is collateralized by an irrigation gun. The balance at June 30, 2013 was \$2,025.

Note to First State Bank – the note is for a period of 36 months bearing interest at 4.07% per annum with monthly payments of \$660 for interest and principal. The note is collateralized by a truck. The balance at June 30, 2013 was \$5,799.

Note to Capmark Commercial Mortgage – the note is for a period of forty years bearing interest at 5% per annum with monthly payments of \$945 for interest and principal. The note is collateralized by a deed of trust on the project and any real property connected therewith and a first lien on and pledge of net revenues derived from the ownership and operations on the project. The balance at June 30, 2013 was \$47,964.

The note matures as follows:

Year Ended June 30,	<u>Principal</u>
2014	\$ 19,505.73
2015	9,617.70
2016	10,109.76
2017	10,627.00
2018	5,928.02
Totals	<u>\$ 55,788.21</u>

CHANGES IN LONG-TERM DEBT

The following is a summary of the changes in general long-term debt for the fiscal year ended June 30, 2013:

	<u>Balance</u> <u>June 30, 2012</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2013</u>
<i>Business-Type Activities:</i>				
Notes Payable	<u>\$ 77,631.89</u>	<u>\$ 0.00</u>	<u>\$ 21,843.68</u>	<u>\$ 55,788.21</u>

City of Grandfield, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2013

NOTE 4: OTHER INFORMATION

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The City purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

Employee Retirement System and Pension Plan

The City, as the employer, participates in the statewide cost-sharing multi-employer defined benefit plan on behalf of the volunteer firefighters. The system is funded by contributions from participants, employers, insurance premium taxes and state appropriations, as necessary.

During the year ending June 30, 2013, the City was required to contribute \$60 per volunteer. The City contributed \$1080 during the current fiscal year, which represented 100% of the required contribution.

The City participates in the Oklahoma Public Employees Retirement System for their employees. During the year ended June 30, 2013, the City made contributions of 7% and employees made contributions of 6.5%.

<u>Fire Ops</u> <u>Grant</u>	<u>NSPRA</u>	<u>General Fd</u> <u>REAP</u> <u>Fund</u>	<u>Cemetery</u> <u>Fund</u>	<u>Drug Dog</u> <u>Fund</u>	<u>POW WOW</u> <u>Fund</u>	<u>WFACF FD</u> <u>Fund</u>	<u>Totals</u>
\$1,583.01	\$ 16,243.28	\$ 613.90	\$ 14,355.49	\$ 0.00	\$ 555.87	\$ 100.00	\$ 48,294.47
			45,000.00				45,000.00
<u>\$1,583.01</u>	<u>\$ 16,243.28</u>	<u>\$ 613.90</u>	<u>\$ 59,355.49</u>	<u>\$ 0.00</u>	<u>\$ 555.87</u>	<u>\$ 100.00</u>	<u>\$ 93,294.47</u>
 \$ 0.00	 \$ -0.00	 \$ 0.00	 \$ 0.00	 \$ 0.00	 \$ 0.00	 \$ 0.00	 \$ 0.00
 <u>1,583.01</u>	 <u>16,243.28</u>	 <u>613.90</u>	 <u>59,355.49</u>	 <u>0.00</u>	 <u>555.87</u>	 <u>100.00</u>	 <u>93,294.47</u>
<u>\$1,583.01</u>	<u>\$ 16,243.28</u>	<u>\$ 613.90</u>	<u>\$ 59,355.49</u>	<u>\$ 0.00</u>	<u>\$ 555.87</u>	<u>\$ 100.00</u>	<u>\$ 93,294.47</u>

<u>Fire Ops</u> <u>Grant</u>	<u>NSPRA</u>	<u>General Fd</u> <u>REAP</u> <u>Fund</u>	<u>Cemetery</u> <u>Fund</u>	<u>Drug Dog</u> <u>Fund</u>	<u>POW WOW</u> <u>Fund</u>	<u>WFACF FD</u> <u>Fund</u>	<u>Totals</u>
\$	\$	\$	\$	\$	\$	\$	\$ 2,105.60
							52,228.75
			110.00				125.00
			125.00				110.00
		15,592.81					63,096.17
	13,575.00		970.00				47,753.64
			667.66				667.66
			1,260.00				1,260.00
<u>0.00</u>	<u>13,575.00</u>	<u>15,592.81</u>	<u>1,872.66</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>166,086.82</u>
			5,875.23				5,875.23
							3,330.66
1,024.43							54,172.27
	<u>18,226.95</u>	<u>20,855.89</u>					<u>101,114.41</u>
<u>1,024.43</u>	<u>18,226.95</u>	<u>20,855.89</u>	<u>5,875.23</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>164,492.57</u>
(1,024.43)	(4,651.95)	(5,263.08)	(4,002.57)	0.00	0.00	0.00	1,594.25
<u>2,607.44</u>	<u>4,533.42</u>	<u>5,876.98</u>	<u>63,358.06</u>	<u>0.00</u>	<u>555.87</u>	<u>100.00</u>	<u>91,700.22</u>
<u>\$ 1,583.01</u>	<u>\$ (118.53)</u>	<u>\$ 613.90</u>	<u>\$ 59,355.49</u>	<u>\$ 0.00</u>	<u>\$ 555.87</u>	<u>\$ 100.00</u>	<u>\$ 93,294.47</u>

City of Grandfield, Oklahoma
Budget and Actual
 Budgeted General Fund Types
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Budget Variance	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Charges for services	\$ 0	\$ 0	\$ 17,310	\$ 0	\$ 17,310
Local sources	33,108	33,108	4,520	0	(28,588)
State Sources	141,507	141,507	162,785	0	21,278
Miscellaneous	97,942	97,942	371,026	0	273,084
Total revenues	<u>272,557</u>	<u>272,557</u>	<u>555,639</u>	<u>0</u>	<u>283,084</u>
Expenditures					
General Government	74,289	74,289	269,272	0	(194,983)
Public Safety	71,546	71,546	93,179	0	(21,633)
Transportation	28,790	28,790	28,687	0	103
Cemetery & Parks	13,466	13,466	24,544	0	(11,078)
Utilities & Sanitation	11,925	11,925	57,208	0	(45,283)
Other	146,180	146,180	31,122	0	115,058
	<u>346,196</u>	<u>346,196</u>	<u>504,013</u>	<u>0</u>	<u>(157,817)</u>
Excess of Revenues over/ (under) expenditures	(73,639)	(73,639)	51,626	0	125,265
Fund Balance, beginning	<u>73,639</u>	<u>73,639</u>	<u>78,180</u>	<u>0</u>	<u>4,541</u>
Fund Balance, end of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>129,806</u>	<u>\$ 0</u>	<u>\$129,806</u>
Amounts reported for general fund cash fund					
In the Balance Sheet for Governmental Funds					
Is different because this schedule is prepared on					
a regulatory basis of accounting. The differences					
are attributable to:					
Amounts due from other governments			0		
Cash Fund Balance – General Fund			<u>\$ 129,806</u>		

City of Grandfield, Oklahoma
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

A. Audit Findings

PRIOR YEAR

2012-1:

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect on a timely basis misstatements or noncompliance with applicable requirements of a governmental entity. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that (a) a material misstatement of the entity's financial statements, or (b) noncompliance with applicable governmental entities, that is more than inconsequential will not be prevented or detected. We consider the deficiencies describe below to be significant deficiencies:

The City of Grandfield currently does not report their financial data in accordance with generally accepted accounting principles. According to SAS No. 112, the inability to produce materially accurate, complete financial statements is a significant control deficiency. Thus, there is a more than remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

2012-2:

During the performance of the audit – the auditor found that the required payroll tax forms were not prepared and submitted timely as required by the Internal Revenue Service. This failure to file could result in penalties and interest being assessed to the City and Public works Authority.

Recommendation

Management should ensure that the responsible individuals are properly trained and advised regarding the filing requirements of all the required tax forms regarding payroll liabilities and submit them timely.

Response

Management will ensure that the individuals responsible for reporting and submitting payroll tax forms for liabilities are prepared and submitted timely in accordance with the requirements of the Internal Revenue Service.

2012-3

The auditor found that there was not a record maintained of all meetings held by the City during the fiscal year. Management should maintain a signed/approved copy of the permanent minutes in the city records at all times for all meetings held during the fiscal year.

Recommendation

Management should develop procedures necessary to ensure that all minutes are properly signed/approved and maintained in the permanent records at all times.

Response

Management will develop the procedures necessary to ensure that there is proper recordkeeping of all minutes of meetings held.

City of Grandfield, Oklahoma
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

A. Audit Findings

PRIOR YEAR (contd)

2012-4

The auditor found that the agendas that are posted for notice of meetings do not properly state the time of the meetings being held. Agendas should properly contain the date, time and items to be discussed at the meeting and be properly signed for all meetings held by the City.

Recommendation

Management should develop procedures necessary to ensure that all agendas contain the proper documentation as required by state law regarding meetings held.

Response

Management will develop the procedures necessary to ensure that all agendas are posted properly and contain the required information at all times.

CURRENT YEAR

2013-1: SAS 115

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect on a timely basis misstatements or noncompliance with applicable requirements of a governmental entity. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that (a) a material misstatement of the entity's financial statements, or (b) noncompliance with applicable governmental entities, that is more than inconsequential will not be prevented or detected. We consider the deficiencies describe below to be significant deficiencies:

The Town of Talala and the Talala Public Works Authority currently does not have the capability report their financial data reliably in accordance with generally accepted accounting principles. According to SAS No. 115, the inability to produce materially accurate financial statements is a significant control deficiency. Thus, there is a more than remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

Management Response:

Management is unable to implement steps to comply with SAS 115 at this time.

City of Grandfield, Oklahoma
Schedule of Findings and Questioned Costs (cont'd)
For the Year Ended June 30, 2013

2013 – 2: Segregation of Duties

Currently, individual responsible for receiving payments of the Town and of the Town are the same individuals who post the accounting records, deposit money, pay invoices, and reconcile bank accounts.

For the fiscal year ending June 30, 2013, lack of segregation of duties is a concern. Efficient and effective separation of duties is difficult to obtain without hiring additional personnel. However, the governing body and management need to be aware of the continued risk associated with this lack of segregation of duties, and attempt to exercise maximum oversight control over possible areas of risk, such as cash receipts and cash payments.

Management Response:

Due to financial constraints, hiring additional personnel is not feasible at this time. The governing body (Board) will continue to exercise oversight to minimize risk.

2013 – 3: Payroll Tax Filing

During the performance of the audit – the auditor found that the required payroll tax forms were not prepared and submitted timely as required by the Internal Revenue Service. This failure to file could result in penalties and interest being assessed to the City and Public works Authority.

Recommendation

Management should ensure that the responsible individuals are properly trained and advised regarding the filing requirements of all the required tax forms regarding payroll liabilities and submit them timely.

Response

Management will ensure that the individuals responsible for reporting and submitting payroll tax forms for liabilities are prepared and submitted timely in accordance with the requirements of the Internal Revenue Service.

B. Questioned Costs

NONE